Risk Assessments:
Building Your Risk Program, Developing Partnerships, and Mitigating Risk

Ralph Oyaga, Esq., MBA
Corporate Compliance Officer
Heritage Provider Network

Agenda

• Fundamentals
• Creating Buy-In
• Mitigating Risk
Risk Assessment Fundamentals

- Risk = Likelihood × Impact

Risk Map
**Risk Scoring**

- Organization’s Risk Tolerance / Appetite
- L, M, H
- 1 – 5
- Adding third dimension (e.g. velocity)

**Impact - Concepts to Keep in Mind**

- Emerging risks – Impact not fully understood (learning curve)
Impact - Concepts to Keep in Mind

• “Black Swans”
  • Low likelihood, but
  • catastrophic impact

Reducing Impact of Black Swan Events

• Don’t try to predict, focus on mitigating vulnerabilities and reducing the possible consequences

• Example: Hackers “kidnap” your network
  • Build Redundancies
  • Disaster Recovery Mode
  • Cyber Insurance
**Document Process (CPE)**

- Who participates?
- How are topics prioritized?
- What is the process?
- How are mitigation steps determined?
- Is education provided?
- How are the results determined?

**Risk Assessment Process**

- Compile List of Risks (Risk Inventory)
- Group / Categorize (Risk Domains)
- Prioritize
**Risk Inventory**

- Compile List of Risks
  - Iterative process
  - Negotiate
  - Refine
  - Consensus

**Risk Domains - Examples**

- Financial – malpractice, insurance, credit score, penalties/CIA
- Human Capital – selection, retention, turnover, work comp
- Technology – EHR, Cyber Security, Social Media
- Regulatory/Legal – FWA, Audit CAPs
**Prioritize List**

- Within each risk domain
- Identify correlations, synergy, effective resource allocation
- Early wins (employee engagement – momentum – ROI)

**Buy-In**

- bīˌ in
  - Agreement to support a decision
Strategies for Creating Buy-In

- Adapt to others’ communication style.
- Avoid extremes
  - “Withhold & Uphold” ↔ “Spray & Pray”

Strategies for Creating Buy-In

- The way a risk is framed influences people’s understanding of it.
- Example: Airline Safety Statistics
Strategies for Creating Buy-In

• Link to organization’s mission/vision and strategic objectives
  • Why is it imperative to mitigate this risk?
  • We are all in this together!

Strategies for Creating Buy-In

• Leverage role of “Trusted Advisor”
  • Timely
  • Accurate
  • Reliable
Strategies for Creating Buy-In

• Prepare for feedback.
• Prepare to act.
  • What is negotiable.
  • Can collaboration save the day.

Risk vs. Reward

• Risk assessment → Risk mitigation
• Mitigation strategies
  • Risk Avoidance
  • Risk Limitation / Mitigation
  • Risk Transference
  • Risk Acceptance / Assumption
Mitigation Strategies

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<td>Accept Risk</td>
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Executing Risk Mitigation Plan

• Risk-based control system
• Control Levers (Robert Simons)
  • Belief controls:
    • Communicate the vision, mission and values of the organization
    • Inspire and motivate employees
    • Engage in risk mitigation efforts
Q & A

Ralph Oyaga
Royaga@HeritageMed.com